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Title : Need to issue directions to the Government of Andhra Pradesh to Reduce VAT levied on tea from 12.5 per cent to 4 per cent.

DR. M. JAGANNATH (NAGAR KURNOOL): Sir, the tea industry in Andhra Pradesh has been slammed with 12.5 per cent VAT. Bihar and AP are the only States in the country to levy 12.5 per cent VAT while other States have reduced it to four per cent, in line with the recommendations of the Empowered Committee of States' Finance Ministers. High VAT rates would push up tea prices and tea being price sensitive item could witness a drop in consumption. Drop in tea consumption and resultant depression in demand could destabilize realizations of tea producers further affecting an industry, which has been witnessing severe recession in the last five years. It is, therefore, imperative to keep end-consumer prices at reasonable level.

India is the biggest producer and a major exporter of tea. It is a large foreign exchange earner for our country. Tea industry is the second highest employer after the Indian Railways, with nearly 50 per cent of the employees being women. Protection of this employment would crucially depend on sustained increase in tea consumption. At this juncture, any high rate of VAT on tea could adversely affect tea consumption and threaten the future of millions employed in the tea plantation industry.

Sir, the higher rate of VAT would encourage cross border infiltration from the neighbouring States which have a cheaper rate of VAT on tea. Through you, Sir, I request the Government to impress upon the State Governments to reduce VAT on tea to four per cent.